

CIRM Generating 25,000 Jobs and \$200 million in Taxes for California with Grants Awarded So Far—with More to Come

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January 27, 2010, San Francisco, Calif. — The California Institute for Regenerative Medicine, the state stem cell agency created by voters with Proposition 71, today released an independent economic impact study that shows CIRM has already delivered significant financial benefit for the state with its first \$1.1 billion in grants creating 25,000 job years and \$200 million in new tax revenue through 2014.

CIRM commissioned the report, which used conservative assumptions along with a widely accepted model for projecting fiscal impact. The author, Jose Alberro, is with the Berkeley Research Group, which has an office in Emeryville. The report is available for download [here](#).

The study looked at the one-time economic impact of the \$1.1 billion in grant awards the agency had committed by July 2010 for the life of those awards, which are expected to be nearly fully expended by the end of 2014. It also included the \$844 million in leveraged funds from donors and institutions that contributed to the 12 major research facilities the agency funded. From CIRM's first round of grants in April 2006 through the end of 2014, those funds are expected to generate over \$200 million in new tax revenue and nearly 25,000 job years in California. Seventy-nine percent of that tax revenue goes to the state and the remainder to local governments.

The jobs cover a wide range of industries and skills, from research scientists to laboratory assistants and staff, and including nearly 13,000 jobs in the construction and building trades. The latter have been important in many communities in California where the unemployment rate for construction workers is around 30 percent, triple the state's overall unemployment rate.

The report does not measure the economic impact of biotechnology companies that have opened facilities or expanded in California because of CIRM grants and the research climate it has created. But it does discuss the ways in which industry clusters provide economic benefit to the state. Researchers have already verified the effects of two biotech clusters in California, one in the Bay Area and one in the San Diego region, and the report projected that CIRM funding could cement a third cluster in the LA basin. The report states that it is too early to quantify CIRM's impact in terms of these clusters but notes that: "industries participating in a strong cluster register higher employment growth, as well as higher wages, number of establishments, and patenting."

"When voters overwhelmingly approved Proposition 71, they expected CIRM to do two things: Deliver hope for people suffering from a range of serious health conditions, and deliver an economic boost for the state," said Robert Klein, Chairman of CIRM's governing board. "This report demonstrates that we've delivered on the economic promise today, even as we continue to see strong positive milestones on the research side progressing rapidly toward therapies."

A future report will be issued that looks at the long-term economic impact of health care cost savings accrued because of improved therapies fostered by CIRM grants. That study is developing a detailed methodology for determining the current costs of care for a disease and the savings from improved therapies generated from stem cell research, as well as projected costs for those new therapies. The largest share of CIRM's economic impact is expected to come from health care cost savings for employers and the state's MediCal program.

The first report alone makes it clear that CIRM has provided a net gain to the state's general fund during its early years. For its first five years, through the end of 2009, the agency paid its own debt service costs directly from its bond proceeds so there was no cost to the general fund during those years. From 2010 through 2012, the current estimate for the cost of debt service on CIRM bonds is \$160 million. The state's share of CIRM generated revenue—just from that first \$1.1 billion awarded before July—will be an estimated \$148 million.

The report does not, however, take into account grant awards made later in 2010 and those scheduled for 2011 and 2012, which will generate added tax revenue at a similar rate. With those additions, CIRM's directly generated tax revenue should exceed its debt payments through some point in 2013 even without considering tax revenue from industry growth in the biotech clusters.

"Several leading companies have located or expanded operations in California specifically because of CIRM's funding, and the

intellectual capital that is being created throughout the state because of CIRM," said Alan Trounson, president of CIRM. "

The report cites the research of Harvard's Michael Porter that has established that firms located in regions with strong clusters foster new business formation, start-up formation, and start-up survival.

The author stressed the conservative assumptions used to make his projections:

- used the IMPLAN model which is widely used and respected;
- did not treat all CIRM grants the same with different multipliers used for training, research, construction and equipment grants;
- only 38 percent of equipment purchases were attributed to come from within California;
- used an aggregate employment multiplier of just 2.3, which is considerably lower than ones used by some other states in looking at their investments in the biotech sector.

About CIRM: CIRM was established in November 2004 with the passage of Proposition 71, the California Stem Cell Research and Cures Act. The statewide ballot measure, which provided \$3 billion in funding for stem cell research at California universities and research institutions, was overwhelmingly approved by voters, and called for the establishment of an entity to make grants and provide loans for stem cell research, research facilities, and other vital research opportunities. A list of grants and loans awarded to date may be seen here: [/grants](#)

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